

# HOUSE BILL No. 1413

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-3-1-7; IC 4-12-1-1.5; IC 4-12-1-18.

**Synopsis:** Certification of accuracy of government accounting. Specifies that the governor, with the assistance of the budget agency, is responsible for establishing and maintaining internal controls on the collection, recording, and reporting of accounting and financial information in all state agencies in the executive department of state government. Requires the budget agency and the governor to certify that: (1) certain statements with financial information fairly represent the financial condition and results of operation of the state; and (2) the state's accounting internal controls in the executive department of state government are effective.

**Effective:** Upon passage.

**Turner**

January 20, 2004, read first time and referred to Committee on Appointments and Claims.

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Introduced

Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

## HOUSE BILL No. 1413

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 4-3-1-7 IS ADDED TO THE INDIANA CODE AS  
2       A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON  
3       PASSAGE]: **Sec. 7. The governor, with the assistance of the budget**  
4       **director, shall establish and maintain internal controls (as defined**  
5       **in IC 4-12-1-1.5) on the collection, recording, processing,**  
6       **summarizing, and reporting of accounting and financial**  
7       **information in all state agencies in the executive department of**  
8       **state government. The governor and the budget director shall work**  
9       **with the state board of accounts to formulate, prescribe, and install**  
10       **systems of accounting and reporting under IC 5-11-1-2,**  
11       **IC 5-11-1-21, and IC 5-11-1-26 to ensure sufficient internal control**  
12       **over accounting and financial information when the governor and**  
13       **budget director make the certifications required under**  
14       **IC 4-12-1-18.**

15       SECTION 2. IC 4-12-1-1.5 IS ADDED TO THE INDIANA CODE  
16       AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE  
17       UPON PASSAGE]: **Sec. 1.5. As used in this chapter, "internal**

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control" means a process, effected by the governor, the state board of accounts, and other personnel in the executive department of state government, designed to provide reasonable assurance regarding the achievement of the following objectives:

(1) Effectiveness and efficiency of operations, including the use of the resources at the disposal of the executive department of state government.

(2) The reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use.

(3) Compliance with applicable laws and rules.

The term includes the objective of safeguarding assets.

SECTION 3. IC 4-12-1-18 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 18. (a) This section applies to the following statements:

(1) Year end closing statements that include financial information about the state cash or fund balances, revenues, or expenditures that are prepared by the budget agency, the budget committee, or another entity for the budget agency or the budget committee.

(2) Any other interim or biennial statement about state cash or state fund balances, revenues, or expenditures that is prepared by the budget agency, the budget committee, or another entity for the budget agency or the budget committee and distributed outside the budget agency.

(3) A comprehensive annual financial report prepared by the auditor of state.

(4) To the extent provided in subsection (c), budget reports prepared under this chapter and surplus statements prepared by the budget agency, the budget committee, or another entity for the budget agency or the budget committee that forecast the effect of appropriations or expenditures on cash or fund balances in a future period and that are distributed outside the budget agency.

(b) The budget director and the governor both shall certify in a statement described in subsection (a) that:

(1) the signing officer has reviewed the statement;

(2) based on the signing officer's knowledge, the statement does not:

(A) contain any untrue statement of a material fact; or

(B) omit to state a material fact necessary in order to make

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the statements made, in light of the circumstances under which the statement was made, not misleading;

(3) based on the signing officer's knowledge, the information in the statement fairly presents in all material respects the financial condition and results of operations of the state covered by the statement as of and for the periods presented in the statement;

(4) the signing officers:

(A) are responsible for establishing and maintaining internal controls on the collection, recording, and reporting of accounting and financial information in the executive department of state government;

(B) have designed the internal controls to ensure that material information relating to the executive department of state government is made known to the signing officers by others within those entities, particularly during the period for which the statement is prepared;

(C) have evaluated the effectiveness of the state's internal controls as of the date within ninety (90) days before the date of the statement; and

(D) have presented in the statement their conclusions about the effectiveness of their internal controls based on their evaluation as of that date;

(5) the signing officers have disclosed to the auditor of state, the members of the state board of finance, and the state board of accounts:

(A) all significant deficiencies in the design or operation of internal controls in the executive department of state government and, to the extent known to them, in any other agency or component unit covered by the statement that could adversely affect the state's ability to collect, record, process, summarize, and report accounting and financial data and have identified for the auditor of state, the members of the state board of finance, and the state board of accounts any material weaknesses in internal controls; and

(B) any fraud, whether or not material, that involves management or other employees who have a significant role in the state's internal controls of the executive department of state government and, to the extent known to them, in any other agency or component unit covered by the statement; and

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1 (6) the signing officers have indicated in the statement  
2 whether or not there were significant changes in internal  
3 controls or in other factors that could significantly affect  
4 internal controls subsequent to the date of their evaluation,  
5 including any corrective actions with regard to significant  
6 deficiencies and material weaknesses.

7 (c) This subsection applies to a statement described in  
8 subsection (a)(3). The certifications described in subsection (b)(1)  
9 and (b)(2) must be included with the statement. The budget  
10 director and the governor also must include a certification that  
11 information in the statement is reported using the same accounting  
12 and reporting principles as apply to the reporting of historical  
13 financial information. However, if there is a change in accounting  
14 method, the budget director and the governor shall indicate the  
15 change in accounting method as an exception and explain the effect  
16 of the change in accounting method on the financial information.

17 (d) The auditor of state shall include a statement prepared  
18 under this section for a comprehensive annual financial report as  
19 supplemental information.

20 SECTION 4. [EFFECTIVE UPON PASSAGE] IC 4-12-1-18, as  
21 added by this act, applies to statements prepared after the effective  
22 date of this SECTION, regardless of what accounting periods are  
23 covered in the statement.

24 SECTION 5. An emergency is declared for this act.

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